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Senate

The Senate met at 10 a.m. and was called to order by the President pro tempore (Mr. STEVENS).

PRAYER

The Chaplain, Dr. Barry C. Black, offered the following prayer:

Let us pray.

Gracious Father, You have set before us many ways of doing Your work in our world. Empower us to creatively use our abilities for Your glory. Open our eyes to see possibilities in seemingly barren places. Use us to open new channels of blessing to those who need it most.

Speak to our Senators and give them a willingness to obey Your voice. Strengthen them to follow Your precepts and to trust You in quietness and confidence.

Renew us so we will mount up on wings like eagles. Help us to run and not be weary, and to walk and not faint.

And Lord, today, we pray for those affected by the Midwest tornadoes.

We pray in Your sovereign Name. Amen.

PLEDGE OF ALLEGIANCE

The PRESIDENT pro tempore led the Pledge of Allegiance, as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

RESERVATION OF LEADER TIME

The PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The majority leader is recognized.

SCHEDULE

Mr. FRIST. Mr. President, this morning we are starting consideration of the budget resolution which was reported out of the Committee on the Budget on Thursday. The chairman and ranking member are here and we will open the debate this morning.

The Budget Act provides for up to 50 hours of debate. Therefore, I hope Senators will come to the Senate today and use that time for their opening statements.

This week will be quite busy as we consider the budget resolution each day and night as that clock ticks. We will finish the resolution this week, and that will normally require full sessions with votes, which I expect. We would like to minimize the so-called vote-a-rama at the end of the process. I know the two managers have been talking, are talking, and will be working together in an effort to avoid that, if at all possible.

This week we will also complete the extension of the debt limit. The Democratic leader and I are working on an agreement for the consideration of that bill. I hope we can reach a reasonable period for the debate on that must-do legislation. Needless to say, there is a lot of work to be done prior to the adjournment. We will stay in session as necessary to give the managers the best opportunity to complete our business.

This week we will complete action on the budget. And we will complete action on the debt limit. On Wednesday of this week, we will have a joint meeting with the House to hear an address by President Ellen Johnson Sirleaf of Liberia. That address will begin at 2 p.m.; therefore, Senators should gather in the Senate Chamber at 1:30 so we can proceed at 1:40 to the Hall of the House of Representatives.

Lastly, I remind my colleagues we have a rollcall vote scheduled for 5:30 this evening. That vote will be on the confirmation of Leo Gordon to be a judge for the U.S. Court of International Trade. That will be the first vote of the day.

I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. FRIST. I ask unanimous consent the call of the quorum be rescinded.

The PRESIDENT pro tempore. Without objection, it is so ordered.

CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR FISCAL YEAR 2007

The PRESIDENT pro tempore. Under the previous order, the Senate will proceed to consideration of the budget resolution, which the clerk will report.

The assistant legislative clerk read as follows:

A resolution (S. Con. Res. 83) setting forth the congressional budget for the United States Government for fiscal year 2007, and including the appropriate budgetary levels for fiscal years 2006 and 2008 through 2011.

The PRESIDENT pro tempore. Under the previous order, the time until 11:30 a.m. shall be equally divided.

The Senator from New Hampshire.

Mr. GREGG. Mr. President, we are now proceeding to the budget?

The PRESIDENT pro tempore. That is correct. The budget is before the Senate.

Mr. GREGG. I begin by thanking the committee, the committee staff, both the majority and Democratic side, for the assistance in getting us to this point. We had a markup last Thursday which was done very professionally. A lot of issues were raised. A lot of votes were taken. We were able to complete the budget on a timely schedule pursuant to the rules of the Senate.

Now we are in the Senate. As everyone knows, under the rules of the Senate, we have 50 hours on the bill. Then we have what is known as the vote-arama. The Senator from North Dakota and I have been talking. We hope

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

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we can coordinate things so that Members will be comfortable getting their amendments up and have adequate time and have certainty as to when their amendments are coming up, and in doing that, hopefully, actually reduce the vote-arama at the end. And cooperation would be helpful.

Right off the bat, I thank the Senator from North Dakota and his staff. They have been extraordinarily cooperative as we moved forward throughout this process.

Let me ask Members, if Members have an amendment, all on our side, tell us about it so we can get you a time slot.

On the substance of the bill, the purpose of a budget, of course, is to be a blueprint for how the Government will spend its money in the coming year. The year for our Government begins on October 1, 2006. We are already into the 2006 year, so this is the budget for 2007. It is important, when we are doing a budget, of course, to be reasonably realistic about what the opportunities are, the demands are, what the needs are for saving money, what the tax structure will be in the country. We have attempted to do that in this budget.

We began, basically, with the President's proposal. He sent up a budget. Ironically, under the rules of the Congress, the President's budget has no actual impact on the substance of the process. In fact, the budget of the Congress is never signed by the President. It is a document entirely within the Congress. Clearly, the President gives his thoughts and his guidelines. He is in charge of the executive branch. We take it seriously.

We have looked at the President's budget and used it as a template for much of what we have done in this budget, although we have departed in a few significant ways. I congratulate the President for sending up a budget that is responsible. He controlled spending on the discretionary side and the non-Defense accounts. He did make proposals in the area of entitlement spending which were significant and which would bring about some restraint in the rate of growth, for example, of the biggest entitlement, which is Medicare and pensions, and even in the agricultural area he made some proposals. His budget is a legitimate and effective document talking about how we should, as a Government, go forward relative to the spending which we are going to undertake in the year 2007.

We have, however, marked up the budget a little differently. Our purpose, honestly, my purpose is to reduce the deficit of the United States. That is critical. We have a situation facing us as a people and as a Nation which is unique in our history in that we have this large generation called the baby boom generation. It is the largest generation in our history, with 70 million people, about twice the size of any other generation.

The baby boom generation is headed toward retirement. As they retire, it will put a huge strain on the operation of the fiscal house of the United States. That retirement begins in earnest in about the year 2008 and accelerates and peaks in the year 2030. At that point, we have serious issues relative to how we control our budget, and we should be focusing on those concerns.

But in the short run, there are things we can do to bring the deficit under control, and we should do this. This budget attempts to do that. In fact, this budget will reduce the deficit of the United States in half over the next 4 years. That is a fairly significant step forward. As a percentage of gross national product, by the year 2010, we will actually be down to about 1 percent of gross national product, which will be well below the historical norm of deficits in this country.

Our deficit in the coming year, however, will be higher, and I will get into that discussion in a few minutes, but let me go back to this entitlement question because it is important as we start the discussion that we frame it in the context of the issues that concern me the most.

We have outstanding at the Federal level, as a result of the coming retirement of the baby boom generation, an obligation of the Federal Government which amounts to $65 trillion. That is trillion, with a ''T.'' It is hard to understand what a trillion is. I don't know what it is. I have heard all sorts of different explanations. I will try to put it in perspective. If you take all the taxes paid into the Federal Government since our country was founded, since we began to have taxes as a Federal Government in 1789, it represents $40 trillion. That is all taxes ever paid into the Federal Government. If we take the net worth of everyone in this country—their cars, their houses, their stock, whatever they own that is an asset, and we add it all up—the net worth of the American people is $51 trillion. That is the second blue chart.

The total outstanding debt, therefore, of three major programs—Medicare, Social Security, and Medicaid—represents $65 trillion. So it is more than what has been paid in taxes since the beginning of time, as far as this country is concerned, and it is more than the net worth of our Nation. It is a staggering figure. That is a 75-year figure. And it is all driven by the fact that this baby boom generation is so large, and when it retires it will demand so much in the way of services.

What is the issue? The issue is, if we have this type of an outyear liability, we need to do things today to try to structure our house and get it under control. In the last budget cycle, for the first time in 8 years, we stepped forward as Republicans—I think we had two Democratic votes—we stepped forward as Republicans and passed what was known as the reconciliation bill to reduce entitlement spending by $39 billion over 5 years. Anyone would have thought we were scorching the earth in passing that bill from the outcry from the other side of the aisle, that all poor people, all people of need were being thrown out the door as a result of that reduction. Well, to try to put it in perspective, it was $39 billion. Actually, within that, the most significant item was the Medicaid item, which was $5 billion over 5 years, or in that period of 5 years, the Medicaid system was going to spend $1.2 trillion.

So $5 billion and $1.2 trillion would have meant that Medicaid—which was going to grow at 40 percent over that 5-year period, after this scorched-earth policy which we put in place, according to the folks on the other side of the aisle—Medicaid would still grow at 40 percent over that 5-year period.

We did not even move it a percentage point. We moved it a fraction of a percentage point in the rate of growth of Medicaid. But it was a difficult exercise to get that through this Congress because we got no Democratic votes—well, we got two, I am sorry. And we had to pass it here with the Vice President voting for it.

Well, we are now in an election year, and the President sent up a budget which, in an almost heroic way, he said, even though it is an election year, we should address some of these entitlement accounts, with Medicare being the biggest. He suggested $35 billion in savings in Medicare over the 5-year period. Medicare will spend $2.2 billion over that period, and it would mean the rate of growth of Medicare, instead of being 38 percent, would be 35 percent. I believe those are the numbers. I am not sure of those two numbers, but I think those are the numbers.

In any event, it became very clear from statements made by my colleagues on the other side of the aisle they were opposed to that. In fact, immediately—as soon as the President sent it up—they started saying Medicare was going to be slashed—of course, it was still going to grow at 35 percent—and that senior citizens would be harmed. That drumbeat immediately met it, as it did when the President suggested we should do something about Social Security. So no progress was made on that side with that, and, unfortunately, on our side of the aisle there was also a fair amount of hesitancy on that issue.

I went to the chairmen of the various committees that the President suggested do these entitlement changes, and they all said they could not get the votes on their own committees to pass them out because the committees are ratioed in a way that means if you have one Republican who opposes it, you cannot pass out these types of things, and in each committee there was at least one Republican, unfortunately, who opposed it.

So it became fairly clear to me, regrettably, that a major reconciliation bill this year, on the side of entitlements—because it is an election year—was not going to accomplish much other than to give people who were not willing to be constructive on the issue, and wanted to create a political issue, a sort of free shot at people who were trying to be constructive on the issues, specifically the President. So we did not put reconciliation instructions in this bill. But we still are aggressive in the accounts which we think are important and which will lead to getting us back to reducing the deficit in half.

What are some of the other structures of this bill that I think are positive? Well, specifically, in the entitlement accounts—well, let me step back. In the area of discretionary spending, the President sent up a number, which was $30 billion over last year's spending. Last year, we spent about $843 billion on discretionary accounts. Now, discretionary accounts—for those of you listening who don't understand these arcane terms we use around here—discretionary accounts are for spending we do every year which we do not have to do, but we do it because it involves the necessity obligations of the Government. But it can be adjusted each year.

Entitlement accounts, which I was talking about before—Medicaid, Medicare, Social Security—those accounts spend automatically. They do not adjust every year. If you meet certain conditions of income, of economic well-being, of health, of experience, you have a right to certain payments. Those are called entitlements. To control those, you have to change the law. That is why you have to have a reconciliation bill.

To control spending, you have to reduce or adjust the spending in what is known as an appropriations bill as it comes through the Congress every year. So the Congress has its most significant impact on discretionary spending in that the budget can set a limit on how much money can be spent by the Federal Government under these discretionary accounts.

Now, discretionary accounts would be things such as national defense, education, and laying out roads in some instances—although that is pretty much off-budget now—environmental concerns, some health care accounts.

The President sent up this number, which was $30 billion above last year. Last year, we spent $843 billion. This year, the President's number was $870 billion. It was rescored by CBO to be $873 billion.

So we said that is a reasonable number. We are going to hold that number. That is called the top-line discretionary cap. So all discretionary spending in the Federal Government will be held at $873 billion under this cap.

What does that mean? That means, essentially, if anybody wants to come to the floor and spend more money than that, they are going to have to get 60 votes to do it because they will be violating the budget discretionary cap. That is an enforcement mechanism we have around here, and sometimes the 60 votes are here and it gets waived, but, hopefully, people will be aggressive in protecting this number.

With that number, defense spending goes up, under the President's proposal, about $28 billion of the $30 billion. And social spending, or nondefense spending—not all social spending—basically is held flat. In fact, in some accounts it actually goes down.

We have aligned ourselves with the President's top-line number in our bill and recognize we need to make some adjustments in the way it was allocated, although our committee does not do allocations. That is done by the Appropriations Committee. We have suggested different allocations than what the President might have used. We put, for example, an additional $1.5 billion into education. We put an additional $1.5 billion into health care. We put an additional $2 billion into border security.

If we were the appropriating committee, that is what we would do. But we do not have control over this. This is entirely a decision made by the Appropriations Committee. But it is a statement of what the Budget Committee believed was a good allocation because we are required by law to allocate, but our allocations have no force of law. The only allocation that has force of law is, of course, that done by the chairman of the Appropriations Committee, Senator COCHRAN of Mississippi.

So within the discretionary caps we have moved money around. There will be a lot of amendments that come to this floor over the next week as we debate this bill that will try to move the money around again. I would simply note that most of them will be statements of what people want but will have virtually no impact, even if they are successful in what people get because, once again, the budget does not control the allocations. The Appropriations Committee controls the allocations. Even if the cap were to be lifted, it would be entirely up to the Appropriations Committee as to where the extra money would go.

But we feel strongly, or at least I feel strongly, and the Republicans on the Budget Committee—this was reported out of committee on a party-line vote, as it has been the last few years—we feel strongly that rationing, controlling, being aggressive in controlling the discretionary accounts is critical.

Now, that brings me to the second topic. There is a lot of resistance to that, by the way. You would think that when you are running these types of deficits that people would be willing to be fiscally responsible around here, but, believe me, there is a lot of resistance because in general terms people are always willing to be fiscally responsible, but when they get specific, they have programs they want to see increased, which is human nature, I guess.

Within the budget we have an allocation for defense. But what has happened recently—and this is an issue I have some concerns about—is that since the war on terrorism has begun, a war we did not ask for but which we are prosecuting aggressively, and I strongly support the President's efforts to fight terrorism—we have felt the need—it is an absolute need, and I do not think it is argued on either side of the aisle—to make sure we fully support our military in a way that is appropriate, and especially in a way that those men and women in the field in Afghanistan, Iraq, and other places have the things they need to fight effectively.

So what has happened is we have created this new budget process around here. We have the basic budget process, which is the core, which comes under the discretionary account, which I have been talking about, the $873 billion number, of which approximately half will be defense money. That is shown in green on the chart. That is what we call the core defense budget, national defense budget. That operates the national defense system.

But on top of that, as part of the warfighting effort, there has been an emergency funding bill every year now for 4 years in a row, which has been very significant. Traditionally, emergencies used to run about—we would have emergency spending in the Federal Government of about $16 billion, on the average, throughout the 1990s. They represented usually disasters that had to be dealt with. Many of them were farm disasters. Some of them were floods.

Now we are seeing basically a process where emergency spending has become what I call a shadow budget, but at a minimum, it is an alternative budgeting process where you essentially have two budgets around here. You have the budget, which is fairly aggressively disciplined through points of order, many of which I have put in place, some of which were put in place with the cooperation of the Senator from North Dakota, some of which were put in place by my predecessor, Senator Nickles, and some of which were put in place by Senator DOMENICI, the predecessor of Senator Nickles.

But budget points of order lie in order to discipline us on the floor so the core spending of the Defense Department and other discretionary accounts is reviewed. It goes to the authorizing committees. It comes out of the authorizing committees. It comes to the floor and gets reviewed. If certain things are not appropriate, in some instances a budget point of order lies against it.

This second budget which we now have around here—and it is an entirely separate budget. In fact, the average amount spent annually is about $90 billion, which would run the State of New Hampshire for about 20 years—one emergency budget. So it is a pretty big budget. That budget has no controls at all. Essentially, that comes up here as an emergency. It does not go through the authorizing committee. It goes through the appropriating committee, which is very effectively led by the President pro tempore, who is now presiding.

But the fact is, it does not have any of the controls that have traditionally gone with regular budgeting, and it has become basically a fact of life. We are not going to get around it. We are going to be in this war for a while. It is going to be expensive.

So I feel, and there are others who feel—I think the Senator from North Dakota agrees with me on this—we have to do something to make sure there is some review of this that puts it more in the camp of being a traditional budget rather than an extraordinary emergency budget which has no discipline to it at all.

So in this bill, we essentially pick a number, $90 billion. Now, historically, the White House was not sending up any number for these emergencies. In fact, in the years 2003, 2004, 2005, and 2006 they sent up zero. They assumed no emergency at all. That was a bit of gamesmanship, in my humble opinion, to be kind.

Last year, we, as a Budget Committee, put in a figure of $50 billion. So this year they assumed $50 billion. And when I asked the Assistant Secretary of Defense why they put in $50 billion, they said they did not put it in. It was in there only because last year the Congress put it in, and they felt they needed to have it in there in order to reflect what the Congress wanted last year and they didn't think it had any relevance at all.

That being the case, what we decided to do this year is take the average of the last 4 years and put that in as the number because I want to get a reasonably accurate number so we have some truth in budgeting. So we put in a number of $90 billion for emergencies that we are assuming, which is why—if you go back to the first chart—in our budget the deficit actually exceeds the President's deficit because the President, in his budget submission, did not have the full cost of the emergencies which we know are coming up. I believed we should have it in there, so our budget deficit is projected as higher.

My hope—and I think it is a reasonable hope—is that this will not go on forever. We are, hopefully, going to start drawing down troops, in Iraq especially, soon. And the cost of that war will recede. Obviously, the cost of Katrina, which was a big part of the cost last year, is already in place. That is pretty well spent out, or has been put in place—over $100 billion for the Gulf States.

So, hopefully, this number will come down. But we are assuming next year, to the extent it comes down, it will be about $90 billion. In that $90 billion we are assuming a budget deficit that is about $40 billion higher than the President's, based on the additional money we put in for the emergencies.

Now, in order to put a little discipline into this exercise, we also put in a new point of order. I want to be very forthright about this. If we go over that $90 billion, there will be a point of order that will be put in against emergencies. They really should not be called emergencies because they are known commodities that are coming up here. They should be called extra budgeting for the war on terrorism.

What we have done is put in a point of order which says if you go over the $90 billion, there has to be a more serious justification of why that money is spent, considering the average is $90 billion over the last 5 years, and it can be raised with a 60-vote point of order to try to get that discussion going around here. It is a minor attempt—not a very big one—to try to put some discipline into this exercise.

In addition, because of the fact that I still believe entitlements are the biggest issue the Federal Government has to face and recognizing that I was not successful in convincing my colleagues to do reconciliation this year, if you look at this chart, you will see the cost of entitlements going through the roof, especially Medicare. If you take Medicare, Medicaid, and Social Security and combine them, we will spend more in 2030 than we spend today on the entire Federal Government. They keep going up. Basically we would have to radically increase taxes on working Americans beginning in about 2015 and ratchet up dramatically by the year 2030 to remain solvent, well over historical norms, if we are not going to do something about entitlements before then.

In order to address that, I have asked for a new point of order. I didn't ask for it. This idea came from Mr. Leavitt, the Secretary of Health and Human Services. He suggested we put in place a tree which essentially says that if Medicare, which is supposed to be an insurance program, everybody goes to work and they get a Medicare insurance tax, it is supposed to accumulate and you are supposed to be able to pay for your retirement health care through the insurance tax. Parts of Medicare don't have the insurance. Part B, Part D are a little different, but the basic Part A is supposed to be fully insured by then. If the Medicare accounts dip into the general fund—and they shouldn't be dipping into the general fund at all—for more than 45 percent of the cost of Medicare so they are basically not an insurance account anymore, they are basically a general fund account, which means that the general taxpayer is paying them twice—they are paying at the workplace, and then they are paying them out of the general fund—then at that point, if the Medicare trustees tell us that is going to happen for 2 years in a row, it is going to be more than 45 percent in 1 year and more than 45 percent the next year, then a point of order arises which says we need 60 votes to spend money on these entitlements, new money. The idea is to simply generate the discussion necessary to get some constructive activity around here on the issue of how we control spending in light of projected deficits caused by the baby boom generation retirement.

There is going to be a lot of discussion today about tax policy. It is important to understand our view of tax policy. Obviously, there are two ways you address the deficit. You address it through spending and through revenues. I take the basic view that we are not an undertaxed society. I think Americans pay a lot of taxes. Whether they get what they deserve for what they pay in taxes, I am not so sure, but they certainly pay a lot of taxes. We will see charts from the other side of the aisle—I can't count how many times I have seen these charts, but we will see charts coming from the other side of the aisle which will say that revenues have dropped precipitously since President Clinton was President and that they have only started to recover incrementally in the last few years. The representation will be made that the majority of this drop is a function of cutting taxes which was put in place by President Bush in the first 2 years of his Presidency.

Let me say that I disagree with that representation. We were in the biggest bubble in the history of the world. It was a bigger bubble than the tulip bubble, bigger than the south seas bubble. It was the Internet bubble of the 1990s when people were speculating and creating paper money without anything behind it through speculation on stocks relative to Internet assets. That bubble generated tremendous revenues as people sold stock and bought stock. But when it collapsed, which it inevitably would and did—and interestingly enough, there is a great history of these bubbles, all these bubbles collapsed, and they were all driven by the same philosophy: Somebody had the belief that the basic economics had changed and something had been invented which was going to circumvent the business cycle and there would be no more business cycles. It is a concept which people believed in in the late 1990s. They generally believed that the technology advantages were going to cause us to expand revenues that would allow them to invest and speculate at rates which were massive and historical proportions never seen before.

When that bubble collapsed, it generated a recession which obviously contracted Federal revenues. On top of that recession, we had the attack of 9/11 which generated even a larger recession. The economic damage done by 9/11 was massive. The reallocation of resources that had to occur, the basic grinding to a halt and hiatus taken relative to investment for a while as a result of Wall Street being in chaos for a period of time, all of this led to an even more severe recession or potentially more severe. However, prior to that event, the President had put in his first tax cut. Then after that event, he put in the second tax cut. Those two tax cuts together were the perfect relief, the perfect formula for basically curing a recession and making it a more shallow recession than one might have expected. We are fortunate that we didn't actually fall into a deep and severe recession during that period. The primary reason we did not was because of the tax cuts.

Another factor of these tax cuts was that they were oriented toward the productive side of our economy so that they created an incentive for entrepreneurs to invest. As a result of that investment, they created an incentive for people to generate economic activity. What comes from that? Jobs. We have had a massive economic expansion in jobs. We have had a massive expansion as a result of the incentives created in the tax law.

Another thing was created by that. When people have more jobs, when there is more economic activity, we get more revenue. This chart reflects that dramatically. We see revenues jumping here. In fact, in 2005, we had the largest increase in revenues in our history. If you go before 2005, you will see revenues coming up. But they are coming up dramatically, 6 percent, 7 percent. About an average of 6.5 percent is the projected revenue increase. It is a function of the fact that we have in place incentives today such as the capital gains and dividends rates that basically create an atmosphere where people are willing to go out and invest. As a result of those investments, they generate capital activity, which creates jobs, which creates taxable events and creates income to the Federal Government. In fact, as we can see from this chart, the historical level of receipts for the country is about 18.4 percent of gross national product. Yes, we dropped down dramatically, but now we are seeing that line come up dramatically. We will reach a historical level of revenues fairly soon—if not next year, certainly the year after—and receipts will be back to what they should be as a percentage of gross national product because we will have put in place an economic engine to generate revenues, called a tax code, which creates an incentive for people to be productive and take risks and create jobs. That is what we wanted.

The other side is going to hold up chart after chart which says, the tax cut was this big for this group, this big for this group, implying that what they want to do is raise those taxes. We don't happen to think raising taxes is the way you keep this economic activity going. We think the way you keep the economic activity going is to continue to drive the incentive for people to invest, take risk and, as a result, create jobs which creates economic activity and basically creates revenues.

Another thing this chart shows that I believe is true is that you can't close this gap between expenditures and receipts on the revenue side unless you are willing to significantly increase the historic tax burden on the American people. You can't do it. You have to address the spending side of the ledger. You have to be willing to slow the rate of growth on discretionary accounts and hopefully soon on the entitlement accounts of the Federal Government, but you can't get there on the revenue side. And you certainly can't get there on the revenue side once the baby boom generation starts to retire because the numbers are too staggering. You would basically tax the young people, the working Americans, out of an existence, out of the capacity to have an existence of a high quality of life which we should be passing on to them, not taking from them, by creating a burden that is so high in the Federal Government that they can't afford it.

So the issue is, generate revenues but don't do it by raising taxes. Generate revenues by creating an atmosphere where people are willing to take risk, be entrepreneurs, create jobs and, as a result, create economic activity.

We have a fundamental disagreement between the two sides of the aisle. That has been obvious for a long time. If you listened to Senator KERRY when he ran for President, the theme of his campaign was: If we hadn't had those tax cuts, things would be great in this country. I take the opposite view. The tax cuts were what gave us less of a recession and what is giving us a recovery which is continuous and has created jobs. I think the last job numbers were something like 243,000 new jobs, which is staggering, or a drop in unemployment claims or something. It was a huge number. We are seeing an economic continuation of economic activity which has been historic in its robustness and continuation. It is a function of the fact that we now have a tax code which to some degree—it isn't a great tax code—addresses what generates revenue which is that you give people an incentive to go out there and be risk takers and create jobs.

On another issue of revenue where the Senator from North Dakota and I do agree—and we have accepted language which he suggested or we are going to before we finish—we believe strongly there are a lot of taxes which should be paid the Federal Government that are not being paid. We had testimony on this before our committee. I am not talking about drug money; I am talking about people underreporting. The Senator from North Dakota has been aggressive in pointing this out, and correctly so. We can collect more money. We don't get the score for that, unfortunately. Even though we are going to increase significantly the amount of money that will flow to the general revenue services for the purposes of audits—and they tell us that is going to generate between 10 and 40, maybe even $50 billion of revenue we are not getting today—we don't get the score for that. CBO won't score it. Still it is what we should do. So on the revenue side we are going to do that.

That brings me to my conclusion so that we can hear from the Senator from North Dakota. We have an obligation to do a budget. We as a nation should not go forward without a budget in place; it is not appropriate to running a fiscal house. A lot of people can disagree with this budget—and just about everybody who comes up to me seems to—but the fact is, it is a budget which has made decisions. You can disagree or agree with them. Over the next 50 hours you can offer amendments to try and change it. But at the end of the day, a government that is spending $2.8 trillion needs to have some guideposts as to how it will be spent. There needs to be a blueprint. There needs to be definition. Every American who runs a household works off a budget, and it would be totally irresponsible if we did not have a budget.

I hope the other side of the aisle will offer a budget as their alternative. There have been some rumblings that they may. In committee they offered a series of amendments which would have significantly raised spending and significantly raised taxes. If that is their budget, fine. But put a budget on the table. We have put our budget on the table. We think it is reasonable. There are things I would have done. I would have gone further in accounts if I had had the ability to pull it off. But independent of that, this budget is a responsible budget. It addresses spending in a responsible way, and it puts in place enforcement mechanisms which allow us as a Congress to put at least warning signs in the road when we start to get off the road of fiscal responsibility.

I yield the floor and appreciate the courtesy of the Senator.

The PRESIDENT pro tempore. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I thank my colleague, the chairman of the Budget Committee, for his many courtesies during the budget process and the budget hearings. There has been full consultation with respect to the operations of the committee, the hearings that we have held, the way we have conducted the markup, the way we will proceed here on the floor. I thank him very much for that set of courtesies. I also thank him for his professionalism. There are many places he and I agree. I think both of us would be the first to acknowledge that we are on an unsustainable course and that the country is going to have to face up to these growing deficits and debt. And the sooner we do it, the better.

With that said, I do disagree with this budget. I don't think it meets the needs of our time. I don't think it faces up to this rapidly growing debt. I don't think it has the right priorities for the American people. And I don't think it has the right balance.

If there is one message I would want to communicate, it is this: The debt is the threat. We hear a lot of talk about deficits, but really the threat to our country is the growing indebtedness of our country, an indebtedness that is increasingly being financed by foreigners.

How did we get into this mess? We can go back to 2001 when the President told us that if we would adopt his financial plan, everything would go well. He told us:

[W]e can proceed with tax relief without fear of budget deficits, even if the economy softens.

That is what he told us back in 2001. Now we are able to check the record and see, was the President right? This chart shows very clearly the President was wrong. We had a $236 billion surplus in the year before he took office, and this is the fiscal record since. The President's plan has plunged us into deep deficit, the largest deficits in our country's history.

The next year, 2002, the President revised his position and said:

. . . Our budget will run a deficit that will be small and short-term. . . .

He retreated from the assertion that we were not going to have deficits because obviously that proved wrong. Then he said the deficits are going to be small and short term. That was the next year. Now we are able to check that statement and see if that was right.

Once again, the President was simply wrong. The deficits have not been small and short term; they have been large and long term. In fact, virtually every year, the deficits have gotten worse. In the first year under the President's plan, we had a $158 billion deficit. In 2003, that exploded to $378 billion. It increased even more in 2004 to $413 billion. Then we had some improvement in 2005 with $319 billion. In 2006, we are now forecasting once again the deficit going up.

Far more serious than the deficit is the increase in the debt because the debt is increasing much more rapidly than the size of the deficits. I indicated for 2006, we are anticipating a deficit now of $371 billion, but the debt is going to increase by $654 billion.

I find very often people are confused on this point. They think the deficit is the amount by which the debt increases, and that is not the case. The biggest difference is Social Security funds that are in temporary surplus that are being used under the President's plan to pay for other things—to pay for tax cuts, to pay other bills. And when you add up the deficit and the amount being taken from Social Security, which has to be paid back, and other trust funds that are also being diverted and being used for other purposes, what we find is the debt in this year will increase not by $371 billion, the amount of the deficit, but instead by $654 billion. That is why I say the debt is the threat.

The next year after 2002, the President, in 2003, no longer made the argument that the deficits were going to be small and short term because that was clearly not going to be the case. Now he revised his argument for the second time when he said:

Our budget gap is small by historical standards.

That is not really right, either, because here is the record with respect to the deficits in comparison to back in 1970, 36 years of comparisons. We can see the deficit under the President's plan has been the largest in dollar terms in our history. In fact, he is in first, second, and third place. He has the top three deficits in our country's history.

There is a new report out that says the deficits as reported are themselves understated. Not only is the debt going up more rapidly than the deficits, but this is a report about what would happen if we were under the kind of accounting system virtually every company in America is under, accrual accounting. Here is what it says. This is a Gannett News Service report from March 3 of this year:

If the United States kept its books like General Motors and nearly every other business in the country, the 2005 budget deficit would be $760 billion and rising, not $319 billion and falling, as is commonly reported. . . .

They go on to ask the question:

How can two reports on the same budget be so different? It's a matter of what's counted. The budget figures usually bandied about in Washington are the amounts the Government takes in and spends each year. The financial report, which has been an annual requirement since the mid-1990s, does what businesses are required to do: include the cost of promised benefits.

If that were done, the deficit for 2005 would not have been $319 billion, the deficit would have been $760 billion.

I am increasingly persuaded that the language we use in Washington misleads people. I go back to when President Bush came in and we were told we were going to have $5.6 trillion surpluses. It was never true. Much of that money was Social Security money. There wasn't much of a surplus at all. It was a temporary surplus, but every dollar of that money was going to be needed.

This shows that if we were on an accrual basis such as virtually every other institution in this country operates on, we would not have had a deficit of $319 billion in 2005, we would have had a deficit of $760 billion.

Then in 2004, the President changed his argument once again. He went from there are going to be no deficits, to they are going to be small and short term, to they are small by historical standards. When all of those proved wrong, then the President said: I am going to cut the deficit in half over the next 5 years. This is what he said in August of 2004:

So I can say to you that the deficit will be cut in half over the next five years. . . .

I think the President will be proved wrong once again. Why? Because in reaching that calculation, the President simply left out things. He left out any war costs past 2007. He left out all the costs of fixing the alternative minimum tax, which will cost $1 trillion to fix. He didn't put any money in his budget for it past this year.

When we add back in the items the President has left out and we go beyond the 5 years in his budget to capture the full effect of his proposed tax cuts, what we see is some modest improvement during the 5 years in terms of the deficit—that is not true of the debt, by the way; it is true of the deficit—but past the 5 years, things get much worse as the full effects of the President's tax cuts take effect. Here is why.

This chart shows the full effect of the President's proposed tax cuts. The President's budget only goes to this dotted line. But look what happens beyond the dotted line in terms of the cost of his tax cut. It absolutely explodes. Of course, not all this is captured in his budget.

Similarly, none of the costs beyond fiscal year 2006 are in his budget for fixing the alternative minimum tax. The alternative minimum tax, the old millionaire's tax, is rapidly becoming a middle-class tax trap. It costs $1 trillion to fix over 10 years. The President doesn't have a dime in his budget to do it beyond 2006.

The President has what I would call a rosy scenario. He says he is going to cut the deficit in half, but it is largely based on a fiction. It is not really a budget at all.

On the alternative minimum tax, again the President has nothing in his budget past 2006 to deal with it. Mr. President, 3.6 million taxpayers were affected in 2005. By 2010, there will be 29 million taxpayers affected. And the President does nothing to address this need. There is no money in his budget past 2006 to face up to it.

But that is not the only place the President has understated the costs. With respect to the war, in 2006 and 2007, the supplementals he has provided, he has $118 billion budgeted. The CBO says $312 billion is needed.

Once again, the President is badly understating the true cost to the country and, as a result, winds up with a misleading budget result.

When I say the debt is the threat—and I hope, if people take nothing else away from my discussion today, they will begin to understand that the great threat to this country is the burgeoning debt of our Nation. The debt is the threat.

As I have indicated, the President has funded the war with a series of supplementals. The chairman of the committee had this chart up as well. In 2006, $118 billion; in 2007, he is only asking for $50 billion at this point. Really, is that what the war is likely to cost? Is all of a sudden the need for these additional funds going to be cut more than 50 percent? Or is the President playing hide the ball from us in terms of these costs?

When I talk about the debt, the President early on acknowledged how important it is to face up to the debt. This is what he said in 2001:

. . . My budget pays down a record amount of national debt. We will pay off $2 trillion of debt over the next decade. That will be the largest debt reduction of any country, ever.

Future generations shouldn't be forced to pay back money that we have borrowed. We owe this kind of responsibility to our children and grandchildren.

The President was exactly right. I agree with every one of these words in terms of the need to pay down the debt and we should not be shuffling this responsibility off on our children and grandchildren. That is what the President said. He said he would have maximum paydown of the debt.

Let's look and see what has actually happened because, once again, the President was simply wrong. There has been no paydown of the debt. This is what the debt was at the end of his first year. We don't hold him responsible for what happened the first year because he is operating under the previous administration's budget.

At the end of the first year, the debt was $5.8 trillion. At the end of this year, the debt will be $8.6 trillion. The President said he would have maximum paydown of debt. There is no paydown of debt here. The debt has exploded. And if the President's budget or the budget that is offered on the floor is adopted, at the end of the next 5 years, the debt will be $11.8 trillion—a national debt that will have more than doubled since the end of the President's first year in office, all of this before the baby boom generation retires.

This President has racked up already more debt than any President in history and by a large measure. The debt limit has already increased over $3 trillion: $450 billion in 2002 was added to the debt limit; in 2003, $984 billion; in 2004, $800 billion; now this week, they are asking for another almost $800 billion increase in the debt limit. That is why I say the debt is the threat.

And what are the ramifications? Here is one that I find most stunning. It has taken 42 Presidents—all of these Presidents pictured here going back to the time of George Washington, through every President, including the President's father, and then President Clinton—it took 42 Presidents 224 years to run up $1 trillion of external debt, our debt held by foreigners. This President has more than doubled that amount in 5 years.

This is an utterly unsustainable course. It is an absolutely unsustainable course. Unfortunately, in this budget, nothing is being done about it except to make it much worse.

The result of these extraordinary debts being held by foreigners—and there was a recent article in the Washington Post that indicates now that foreigners hold almost 50 percent of the U.S. debt. It used to be that we would borrow from ourselves to finance this debt. Not any more. Now we are borrowing from every country all around the world. We have borrowed over $680 billion from the Japanese. We have borrowed more than $250 billion from the Chinese. We have borrowed more than $230 billion from the United Kingdom and, my favorite, we have borrowed more than $100 billion from the Caribbean Banking Centers. Why, we have even borrowed $60 billion, more than $60 billion, from South Korea.

This is a course that is utterly unsustainable. Chairman Greenspan has said it. The Comptroller General of the United States has said it. The head of the Congressional Budget Office has said it.

Now we have this budget on the floor, and this budget basically is a stay-the-course budget. It keeps running up the debt. It keeps running up the debt, and in record amounts.

If that is what you want to support, I would say to my colleagues, vote for this budget. If you think the appropriate course for the country is record additions to our debt, then vote for this budget. Because in this budget, they have left out 10-year numbers, so they hide the effect of the tax cut proposals of the President. They don't have funding for the ongoing war costs beyond 2007. They don't fund the alternative minimum tax reform beyond 2006. They have left out entirely the President's Social Security privatization proposal.

If we put back some of those things that have been left out, instead of the chart that the chairman showed with these red blocks with the budget deficit going down or appearing to go down, if you add back the omitted costs and you add back the money that is being taken from Social Security that adds to the debt—all of it has to be paid back—and you add the associated interest costs, what you find is the debt is going up each and every year of this budget proposal by more than $600 billion.

In 2007, the debt is going to go up $680 billion. In 2008, it is going to go up $656 billion. In 2009, it is going to go up $635 billion. In 2010, it is going to go up $622 billion. In 2011, it is going to go up $662 billion.

Now, unless somebody thinks I am just imagining these numbers, making them up, let's look at what is in the budget offered by our colleagues, their calculation, their calculation of how much the debt is going to go up during this period. And, remember, they have left out war costs past September 7, 2007. They have left out the need to fix the alternative minimum tax. They have left out the associated interest costs. But even their calculations—even their calculations—show the debt going up this year, 2007, by $663 billion; in 2008, $577 billion; in 2009, $536 billion; in 2010, $513 billion; in 2011, $539 billion. This debt is running out of control.

If we look at what are the causes, it is very simple. We are spending more money than we are raising in revenue. That is why we have explosions of deficit and debt. We are spending more than we are raising, and our colleagues on the other side don't want to reduce their spending to the amount of revenue they are able to provide, nor are they willing to raise the revenue to meet their spending. The result is an explosion of deficit and debt.

This shows the relationship between spending and revenue going back to 1980. The red line is the spending line. You can see during the previous administration, spending as a share of gross domestic product came down each and every year. Why do we use gross domestic product? It is because economists say that is the way to take out the effects of inflation and real growth, so that you are comparing apples to apples.

With the new President, President Bush, spending went up. Why did it go up? Overwhelmingly, it went up because of the need for more spending for national defense and homeland security, and to rebuild New York. Those are increases in spending that all of us supported on a bipartisan basis, and that took the spending up to something over 20 percent of GDP. But look what happened to the revenue side of the equation. The revenue side of the equation went from a record level in President Bush's first year, and the revenue side of the equation collapsed. Part of it, as the chairman rightly describes, is as a result of economic slowdown, but about half of the reduction is because of tax cuts. Now we can see the revenue in 2004 was actually the lowest as a share of GDP since 1959—the lowest since 1959.

We have seen a bump-up as we have seen economic recovery. The chairman is absolutely right; economic recovery does lead to revenue. Absolutely. The place where we disagree is the notion that some on that side of the aisle have that tax cuts generate more revenue. I have heard this so often from the other side: Tax cuts generate more revenue.

Let's check the facts. What the chairman showed was projections. He showed what he forecasts or somebody forecasts is going to happen in the future. Let's not rely on future projections. Let's look at what has actually happened in the real world to revenue after the massive tax cuts of this administration. Did we get more revenue? That is a pretty simple question to ask and a pretty simple question to answer. The answer is no, we didn't. In 2000, before the big tax cuts, we had over $2 trillion of revenue. Then we had the massive tax cuts of 2001, and look what happened to revenue: It went down in 2002. It went down in 2003. In 2004, it still was well below where it had been in 2000. We didn't get back to the revenue base that we had in 2000 until the year 2005.

At what point are we going to dispel the myth that tax cuts create more revenue? They didn't, they haven't, and they won't.

That is not my view. I am taking my view from what has actually happened in the real world, instead of some ideological belief and hope. Let's go on facts. Let's go on what has happened. Here is what Chairman Greenspan says:

It is very rare and very few economists believe that you can cut taxes and you will get the same amount of revenues.

This is not based on just what Chairman Greenspan says added to the facts of what happened since 2001; here is what an Economy.com report says on the U.S. macroeconomy:

> Economists find no support for the claim that tax cuts pay for themselves. Four years after income taxes were first cut and nearly four years after the recession ended, Federal revenues are still slightly below their early 2001 peak on a nominal basis; on a real basis, adjusted for inflation, revenues are down 11 percent from their all-time high. Therefore there is no support for the Laffer Curve effect: the view that a tax cut can actually boost government revenues as workers and entrepreneurs respond with large increases in effort.

From that, I don't make the argument that the answer to our problem is tax increases at this point. I do believe revenue has got to be part of the solution.

Our friends on the other side and the chairman have said it has to be done on the spending side. Absolutely, the spending side has to be a very significant part of addressing this problem. But revenue also has to be a part of addressing this problem, and the first place we ought to look for revenue is not a tax increase. The first place we ought to look for revenue is the tax gap, the difference between what is owed and what is being paid.

The revenue department says the tax gap is now $350 billion a year. Let me repeat that. The tax gap, the difference between what is owed and what is being paid, the revenue commissioner tells us, is now $350 billion a year. If we were to just collect revenue due under the current revenue table, we would virtually eliminate the deficit. We would still have a problem with the debt because, as I have indicated, the debt is going up much faster than our deficits. But if we could collect the amount of money that is actually due, we would make meaningful inroads into this incredible abyss of deficits and debt, and we ought to do it.

Also, as the chairman has said—and this is a place I agree—we are going to have to deal with the entitlements. Entitlements are growing much more rapidly than the size of the economy, and they are going to be added to by the baby boom generation. The baby boom generation is going to change all of this very dramatically. So at some point, we are going to have to face up to that.

I think it is increasingly clear that the only way this is going to be faced up to is if we do it together. Republicans can't do it alone; Democrats can't do it alone. It is going to require Democrats and Republicans working together to face this challenge of a burgeoning debt, and the sooner we do it, the better.

On the assertions that the economy is doing great, here is what the Comptroller General said about our current fiscal path before the Senate Budget Committee last month:

> Continuing on this unsustainable fiscal path will gradually erode, if not suddenly damage, our economy, our standard of living, and ultimately our national security. Is anyone listening? Is anyone listening? Here is the Comptroller General of the United States telling us we can't stay on this course, that it threatens our economy and even our national security.

For those who say the economy is doing fine, I present an alternative view. Here is what has happened to real median household income. It has declined for 4 straight years. Median household income has declined for 4 straight years. We have looked at previous recoveries since World War II. There have been nine economic recoveries from recessions since World War II. We have compared this recovery to the previous recoveries. Here is what we found. Growth of the economy lags behind the typical recovery. On average in the previous 9 recoveries, GDP has averaged 3.2 percent; in this recovery, it is averaging 2.8 percent.

It is not just economic growth, it is also business investment. Here is the average. This dotted red line is the average of the nine previous business cycles in terms of business investment. Here, the black line is this recovery. Business investment is lagging the average of the nine previous recoveries by 62 percent. What is wrong here? Something is wrong. Something has changed from our previous economic recoveries.

It is not just growth of GDP, it is not just business investment, it is also job creation. This red line is the average of the nine previous recoveries from recessions since World War II. The black line is this recovery. We are running 6.6 million private sector jobs behind the typical recovery. At this very same period in the cycle, this very same time period, we are 6.6 million private sector jobs behind the average recovery since World War II.

We have to face up to what is happening: burgeoning deficits and debt; a recovery that is not producing the same economic growth, the same business investment, the same job creation we have seen in other recoveries since World War II; and then we have a budget that I believe is also wrong on priorities. This budget says that in 2007, the tax cuts going to those who earn on average over $1 million a year will cost $41 billion for the year. Let me repeat that. Under the budget that is presented here and the budget of the President, the tax cuts going to those who on average earn over $1 million a year, the tax cuts for 1 year alone will be $41 billion. Meanwhile, the President says cut education $2.2 billion, the biggest cut education has ever been asked to take. I don't believe that is the right priority for the country.

It is not just with respect to education. Veterans are being asked to take reductions such that it would cost $800 million—$795 million to restore those reductions, those cuts, in terms of what they receive. Actually, this $800 million is the $250 annual enrollment fee the President is asking for and the increase in their drug copayments that he is asking for—$800 million to eliminate those increased fees and costs to veterans. But the President's budget says: No, it is 50 times more important to provide tax cuts to those earning over $1 million a year. Those are his priorities. I don't think those are the priorities of the American people.

When I look at law enforcement, I see the same thing. It would cost about $400 million to restore the COPS Program. The President cuts the COPS Program that puts police officers on the street. He cuts it about $400 million, which is one one-hundredth as much as is going to tax cuts for those who earn over $1 million a year. Are those really the priorities of the American people? Is it 100 times more important to give tax cuts to those earning over $1 million a year than it is to put police on the street? I don't think so.

It doesn't end there. This budget, the President's budget, on local law enforcement grants, they don't just cut those, they eliminate them. The Byrne Justice Assistance grants, Safe and Drug-Free Schools—they eliminate them. They don't just cut them, they eliminate them. Vocational education—they don't just cut it, they eliminate it. The COPS Program, as I indicated, is cut 78 percent; firefighter grants, cut 55 percent; essential air service, cut 54 percent.

I am not talking Washington-talk about cuts. I am not talking about restricting the rate of growth. I am talking about cutting from what was provided last year. Weatherization grants are cut 2 percent, Amtrak is cut 32 percent, community development block grants are cut 20 percent, and the Low-Income Home Energy Assistance Program is cut 17 percent.

This is a budget that I believe is just wrong. I believe it is wrong for the American people. It is wrong because it explodes deficits and debt. It is wrong on its priorities. Let me just sum up with what the National Catholic Reporter wrote on February 17 of this year:

> But what has become clear during five years of the Bush administration is now glaringly apparent in the easily discerned outlines of its proposed 2007 budget: Cuts in vital programs that benefit the poor and middle class, continuing tax relief for the very wealthy.
>
> If budgets are, as some contend and we would agree, moral documents, then this one suggests we have abandoned a basic sense of right and wrong and any notion that we are at our best when we strive to make life better for all, not just those who manage to accumulate wealth.

I want to end as I began. I believe the fundamental threat of our time is the growth of the debt. The debt is the threat. This budget absolutely fails to face up to that growing and burgeoning debt.

I yield the floor.

The PRESIDING OFFICER (Mr. VOINOVICH). The Senator from New Hampshire.

Mr. GREGG. Mr. President, just to briefly respond because obviously the Senator has made numerous points here, I agree with some, and with some I disagree. But I think this focus on the debt is an interesting approach and one which I can certainly be sympathetic to, and I would be more sympathetic to it if during the markup on this bill we had amendments offered from the other side that would have significantly reduced the debt. That is not what we had. We had amendments which would increase the spending of the Federal Government by about $150 billion in entitlement accounts, about $16 billion approximately on discretionary accounts for this coming year, and then they raise taxes or proposed raising taxes in order to meet those new spending initiatives.

If you are going to reduce the debt, you can do it, of course, by raising taxes. The last group of charts the Senator highlighted would be one way, and maybe the alternative they could seek on their side of the aisle would be where they would raise taxes by $41 billion on one segment of Americans, or they can raise taxes across the board, or they can raise taxes on specific groups. All of that is possible to reduce the debt, but that is not what they offered in committee. What they offered in committee was to increase spending on all sorts of initiatives and then raise taxes to cover the spending, which does nothing significant to reduce the debt.

You can also reduce the debt by reducing the deficit because every deficit dollar is added to the debt. That is what we have attempted to do in this bill. We will attempt and we intend to reduce the deficit in half over 4 years on this bill, and we do it by aggressively addressing discretionary spending.

The Senator is suggesting there are other places not mentioned in this bill, such as the AMT. Yes, we do not address the AMT. I believe the AMT, if it is going to be addressed, should be addressed in the context of tax reform where it is a revenue-neutral event. I would also point out the vast majority of AMT is paid for by people in high incomes; 75 percent of the AMT tax, I believe, comes from people with incomes over $100,000.

First they put up a chart that says high-income individuals should have their taxes increased, and then they put up a chart that says we don't account for cutting taxes on high-income individuals. There is a little bit of inconsistency there, in my opinion. But the AMT fix should not be done in a vacuum. It should not be a hit on the Treasury to the tune of almost $1 trillion. It should be done in the context of major revenue reform, which allows us to adjust it so if low-income people or moderate-income people—there are no low-income people covered by AMT, but if moderate-income people find themselves falling in the AMT, the tax laws will be adjusted so they will be taken out of that, but at the same time we adjust in other areas to make the laws more fair and maintain the revenue base. That is the way to address that. You don't just unilaterally act on that. So I don't find that to be a compelling case they are making.

They make the case on Social Security. We would have been happy to put Social Security in here if the other side of the aisle had not shot the idea down of any Social Security reform—which we really need, we need Social Security reform—shot it down before it even got up to the Congress.

The President went around the country talking about a variety of ideas. He put everything on the table, and the other side of the aisle just started attacking him for even addressing the issue of Social Security. We know Social Security is a serious problem. We know it. But there is no point in moving forward on it if the other side of the aisle has an attitude that we are not going to do anything, we are just going to use it as a political club, which was exactly the approach that was taken when the President addressed it. So that is hard to accept as a valid thing that should be in this budget, Social Security.

This budget does not assume the present tax increases after the budget window, which is different from the President's budget, so it is a different approach we have taken in this bill.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. GREGG. How could my time possibly expire? I think I have 25 hours.

The PRESIDING OFFICER. The time until 11:30 was evenly divided. So it is out before 11:30.

Mr. GREGG. It is only 11:25.

The PRESIDING OFFICER. The Senator from North Dakota has the remainder of the time.

Mr. CONRAD. I will be happy—maybe we can make an adjustment here, so the Senator can finish his thoughts and then I would have a brief time to respond.

Mr. GREGG. That sounds good to me. Why don't we extend this for 15 minutes? Divide the time equally?

Mr. CONRAD. Could we do it for 12?

Mr. GREGG. Whichever. Twelve is fine to me.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CONRAD. We can split the time so the Senator has a chance to conclude his thoughts.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GREGG. The context of my comments are basically directed to the issue of debt. I believe debt should be reduced. I believe the way you reduce debt is to begin by reducing the deficit, which is what the budget does. But the presentation that this budget uniquely aggravates the debt is really not viable in the context of the solutions which are being offered by the other side because none of the solutions being offered by the other side would reduce the debt, either. They are basically offering—or at least they did in committee—amendments which increase spending and increase taxes, thus taking resources which logically the other side would want to use to reduce the debt but isn't, and spending the money. In the end, that doesn't reduce the debt at all.

I didn't see in the markup at all any proposals that would reduce the debt coming from the other side. We look forward to them offering a budget which accomplishes that. I would be most interested in such a budget because I do think it is important we do that. We tried to do it in our bill by reducing the deficit in half over the next 4 years, which does take money and reduce the debt because any time you reduce the deficit, you reduce the debt. You are not adding to the debt.

Mr. President, I ask unanimous consent that the use of calculators be permitted on the floor Senate during consideration of the budget resolution.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GREGG. Mr. President, I ask unanimous consent the following staff members from my staff and from Senator CONRAD's staff be given all-access floor passes for the Senate floor during consideration of the budget resolution. From the Republican staff: Cheri Reidy, Denzel McGuire, Jim Hearn; from the Democratic staff: John Righter, Steven Posner, Sarah Kuehl.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GREGG. Mr. President, I ask unanimous consent that the staff of the Budget Committee be granted the Senate floor privileges for the duration of the consideration of the budget resolution:

Amdur, Rochelle; Bailey, Stephen; Bargo, Kevin; Binzer, Peggy; Brandt, Dan; Cheung, Rock E.; Delisle, Jason; Donoghue, Samuel; Esquea, Jim; Fisher, David; Forbes, Meghan; Friesen, Katherine; Green, Vanessa; Gudes, Scott B.—Staff Director, Full Access Pass; Halvorson, Dana; Hearn, Jim; Holahan, Betsy; Isenberg, Cliff; Jones, Michael; Kermick, Andrew.

Klumpner, James; Konwinski, Lisa—General Counsel, Full Access Pass; Kuehl, Sarah; Kuenle, Jason; Lewis, Kevin; Lofgren, Michael; Mashburn, John; McGuire, Denzel; Millar, Gail—General Counsel, Full Access Pass; Miller, Jim; Mittal, Seema; Morin, Jamie; Myers, David; Nagurka, Stuart; Naylor, Mary—Staff Director; Full Access Pass; Noel, Kobye; Olivero, Tara; O'Neill, Maureen; Page, Anne; Pappone, David.

Parent, Allison; Pollom, Jennifer; Posner, Steven; Reese, Ann; Reidy, Cheri; Righter, John; Seymour, Lynne; Smith, Conwell; Soskin, Benjamin; Turcotte, Jeff; Vandivier, David; Weiblinger, Richard; Woodall, George; Wroe, Elizabeth.

The PRESIDING OFFICER. Without objection, it is so ordered.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I go back to where I started. The debt is the threat. This budget before us increases the debt $600 billion a year, each and every year of its term. That is the reality. That is the budget we have before us. It is the obligation of the majority to offer a budget, and they have done so. It is our obligation to comment and critique their budget, which we have done.

The most important critique that I offered is that this budget explodes the debt. It is undeniable. It is clear. Their own numbers show that it explodes the debt.

Beyond that, the chairman references what happened in the committee. I believe he didn't mention our first amendment—it will be our first amendment on the floor—which is a pay-go amendment to restore budget discipline to require that if you want to have more mandatory spending, you have to pay for it. And if you want to have more tax cuts, you have to pay for them. But they defeated that budget discipline. They defeated that budget discipline, and they proposed this budget that explodes the debt.

In addition, every one of our amendments—I don't know where the chairman got his number—that cost $128 billion in committee, we provided $134 billion of funding for those amendments.

We reduced the buildup of deficit and debt by $6 billion. But that is not the point. The point is, what needs to be done—and I think the chairman might agree with this—is to take on this debt threat. The only way it is going to happen is if we do it together. Your budget doesn't do it. We are not going to offer a budget that is going to do it because if you offer one on your own, you couldn't pass another one. If we offered one on our own, we couldn't pass it on our own—certainly not in the minority.

I have come to the conclusion—I have talked to colleagues over the weekend, and I believe the chairman may share this view—that the only way we are going to take on this debt is to march together. It has become so serious and so big that neither party can do it alone. That is the truth.

Again, we didn't offer tax increases in the Budget Committee. We did offer to more aggressively close the tax gap to pay for these measures. And the biggest spending measure that we offered—in fact, nearly all the increase in the spending, or a significant majority of it—was in one amendment, and that was to take veterans' benefits from the discretionary side of the budget to the mandatory side of the budget. We do not believe veterans' benefits should be considered discretionary. It is not discretionary. It is mandatory that we provide for these veterans. That amendment cost $104 billion. But we paid for it.

Unless anybody wonders if there are tax loopholes out there to close, let me tell you about one of the most recent scams which was uncovered where companies in the United States are buying sewer systems of European cities, depreciating them on their books in the United States, and then leasing the facilities back to European cities.

Is that a tax increase to take away that scam? I don't think so. Is it a tax increase to take away the scam that allows a five-story building in the Cayman Islands to be home to 12,500 companies which claim they are doing business in the Cayman Islands? They have a five-story building down there that is the home to 12,500 companies. Is it a tax increase to end that scam because there are no taxes in the Cayman Islands and that is where those companies want to show their profits?

Shame on those companies, shame on the Cayman Islands, shame on us for allowing that to happen, and shame on us for not collecting the revenue that is due under the current system. The vast majority of us pay what we owe. The vast majority of companies pay what they owe. But we have an increasing number of individuals and an increasing number of companies that aren't, and we ought to go after them. It is $350 billion a year. The revenue commissioner said we could get at least $50 billion to $100 billion of that amount without fundamentally changing the relationship of the revenue service to the taxpayers of the company.

Social Security reform: What the President proposed is not what I would consider Social Security reform. Once again he was going to borrow the money. He was going to borrow hundreds of billions of dollars to change the Social Security system. Of course we opposed that. Not only was he going to borrow hundreds of billions of dollars, but he himself was going to cut benefits. We oppose that. I am proud to have opposed that.

I am not for any more of these plans that explode the debt of the country. We have had enough of that. The debt does represent an enormous threat to the economic security of America. I believe that.

Could I be advised of the time remaining, how it is divided?

The PRESIDING OFFICER. The Senator has 3 minutes 50 seconds, and the Senator from New Hampshire has 3 minutes 40 seconds.

Mr. CONRAD. Mr. President, at this point, would the Senator join me in yielding that time?

Mr. GREGG. Take it off the bill.

Mr. CONRAD. We yield the time remaining.

The PRESIDING OFFICER. The time is yielded.

MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will be a period for the transaction of morning business from 11:30 a.m. until 1:30 p.m.

Mr. GREGG. Mr. President, I ask unanimous consent that during the period of morning business it be deemed the clock is running on the budget bill, and the time will be charged equally.

The PRESIDING OFFICER. Is there objection?

Mr. CONRAD. Mr. President, we urge our colleagues who want to make a statement on the budget, this is the time where they could come and do that. We are going to be working very hard. The chairman and I are trying to develop a plan that would give people certainty and that we would have time agreements to shorten the amount of time on each amendment so we could get more amendments concluded before we begin the vote-arama. I think that would dramatically improve the quality of the debate. I think it would improve the quality of experience for Members of this body.

The chairman and I have talked about this. Perhaps he would want to comment on what we are trying to do as well, so we alert colleagues and their staff that we are going to be coming to them with relatively short time agreements on amendments with a certainty of schedule so that we try to get our business conducted to the extent we can before we begin the vote-arama.

The PRESIDING OFFICER. Acting as the Presiding Officer and as a Member of the Senate, the Senator from Ohio objects.

Objection is heard.

Mr. GREGG. Mr. President, I ask unanimous consent that as time is running during morning business, the next hour and half also be running against the budget bill.

The PRESIDING OFFICER. The Senator from Ohio does not object.

Without objection, it is so ordered.

Mr. GREGG. I thank the Senator for his courtesy.

The PRESIDING OFFICER. The Senator is more than welcome.

Mr. GREGG. Mr. President, I understand that will be equally divided.

The PRESIDING OFFICER. That is correct.

Mr. GREGG. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. THOMAS). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Ms. COLLINS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Ms. COLLINS. Mr. President, I ask unanimous consent to speak for up to 15 minutes in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Maine is recognized.

Ms. COLLINS. I thank the Chair.

(The remarks of Ms. COLLINS pertaining to the introduction of S. 2400 are printed in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

Ms. COLLINS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. ALLEN). Without objection, it is so ordered.